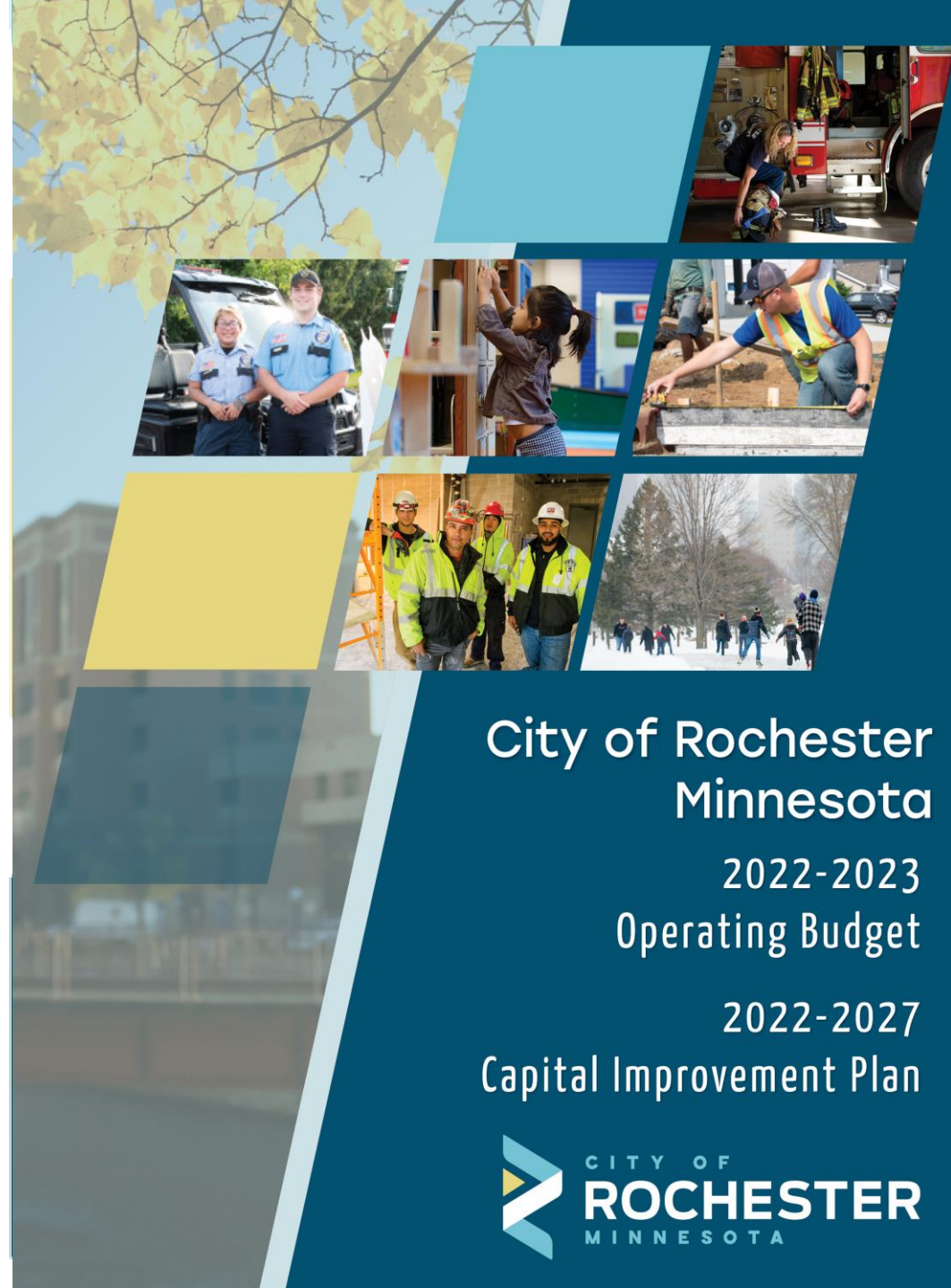




# 2023 Supplemental Budget Hearing

December 5, 2022



City of Rochester  
Minnesota

2022-2023  
Operating Budget

2022-2027  
Capital Improvement Plan





# STRATEGIC PRIORITIES



**Strategic Priority: Affordable Living**

**Areas of Focus**

- Housing variety and affordability
- Transportation options and access
- Equitable regulatory landscape and creative incentives
- Access to opportunities and amenities

**Strategic Priority: Economic Vibrancy and Growth Management**

**Areas of Focus**

- Create clarity, alignment and unity with economic development partners in defining city leadership and community values
- Establish competitive and sustainable approach to effectively allocate DMC resources, Legislative allocations, and city revenue
- Develop implementation tools and strategies for Comprehensive Plan to ensure current decisions reflect future projections
- Adopt design guidelines that better reflect Council and community values

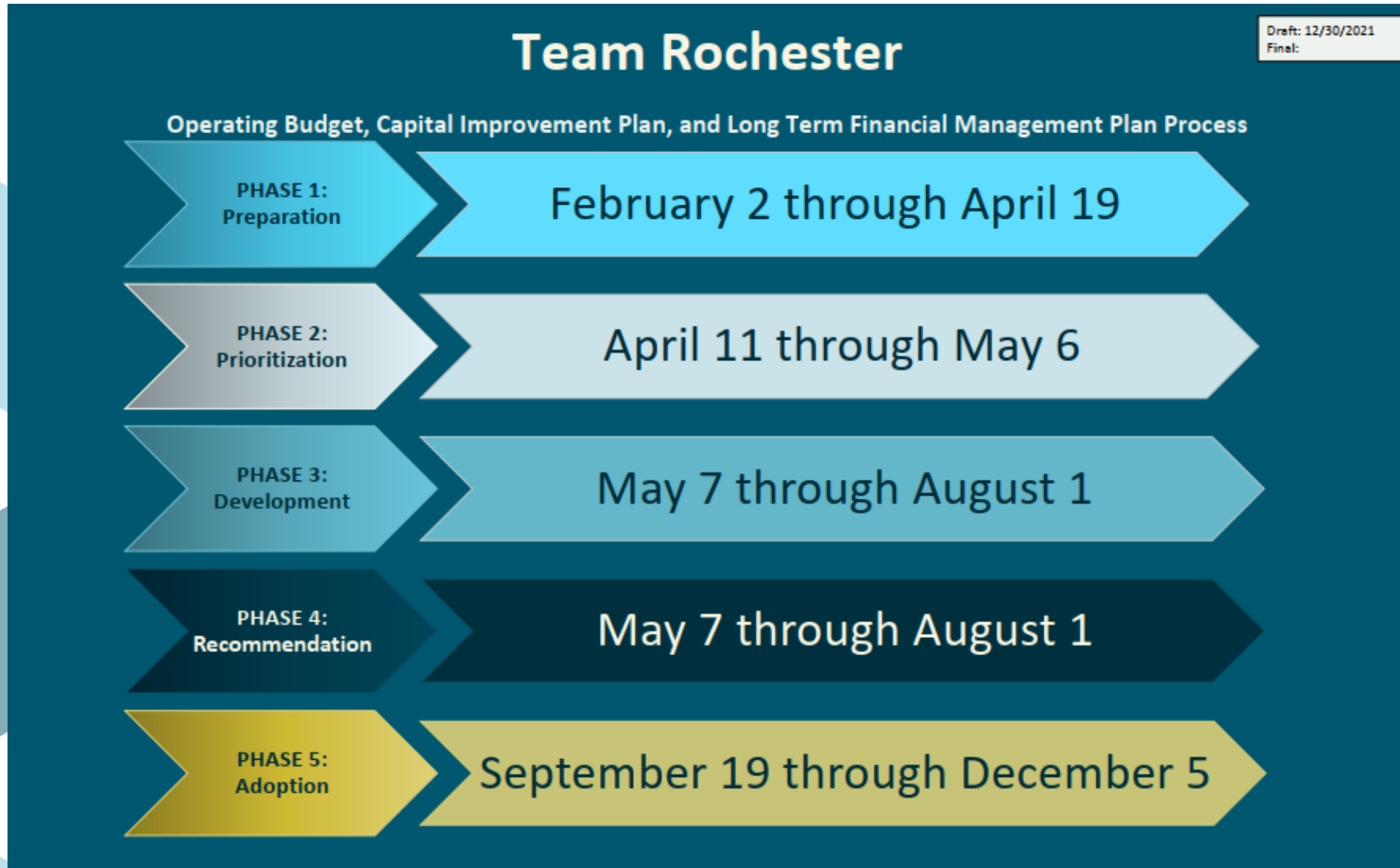
**Strategic Priority: Quality Services for Quality Living**

**Areas of Focus**

- Cultural and Recreational opportunities that provide access and equity
- The organization and Services reflect changing demographics and needs identified by community
- Operations are sustainable, integrated, and easy to navigate
- Service delivery is optimized, cost effective, and reflect our Foundational Principles



# BUDGET SCHEDULE





# SCHEDULING

Budget Phase	Date	Link to Presentation	Focus
1: Preparation	04/11/2022 Study Session	<a href="#">04/11/2022 Presentation</a>	Factors Influencing the 2023 Supplemental Budget ( <b>Complete</b> )
3: Development	06/27/2022 Study Session	<a href="#">Annual Financial Statement Presentation</a>	2021 Year-end Audit Presentation ( <b>Complete</b> )
3: Development	07/18/2022 Study Session	<a href="#">07/18/2022 Presentation</a>	City Administrator's 2023 Recommended Supplemental Budget Preview ( <b>Complete</b> )
4: Recommendation	08/22/2022 Study Session	<a href="#">08/22/2022 Presentation</a>	Review of City Administrator's Recommended 2023 Operating Budget and 2023-2027 Capital Improvement Plan Budget
4: Recommendation	09/7/2022 Study Session	<a href="#">09/7/2022 Presentation</a>	2023 Recommended Supplemental Budget (Operating and Capital Improvement Plan)
4: Recommendation	09/19/2022	<a href="#">09/19/2022 Presentation</a>	Approve Preliminary 2023 Recommended Supplemental Budget and Set Preliminary Levy
4: Recommendation	11/21/2022	Coming Soon	Quarter 3 Action Plan Update
5: Adoption	12/5/2022	We Are Here	2023 Supplemental Budget Hearing

# Budget Hearing and Adoption

1. We are here tonight to receive public feedback on the budget and property tax levy and for City Council to consider those items for adoption.
2. Increase in taxes are often a reflection of increased property valuations. You can contact the Olmsted County Assessor's office if you have questions regarding individual property valuations via phone 507-328-7635 or email [propertyweb@co.olmsted.mn.us](mailto:propertyweb@co.olmsted.mn.us)

# Your Property Taxes

## Property Taxes Explained

YouTube Video: <https://www.youtube.com/watch?v=fWw-YN1mZ64>

**YEAR 1 - PROPERTY TAXES REQUIRED: \$900**  
PROPERTY TAX RATE = \$0.003

$$\$900 / (\$100,000 + \$100,000 + \$100,000) = \$0.003$$



(\$100,000 X \$0.003)  
PROPERTY TAX = \$300



(\$100,000 X \$0.003)  
PROPERTY TAX = \$300



(\$100,000 X \$0.003)  
PROPERTY TAX = \$300

**YEAR 2 - PROPERTY TAXES REQUIRED: \$900**  
\$900 / \$320,000 = \$0.0028125 TAX RATE

$$\$900 / (\$150,000 + \$100,000 + \$70,000) = \$0.00281$$



(\$150,000 X \$0.00281)  
PROPERTY TAX = \$421.88



(\$100,000 X \$0.00281)  
PROPERTY TAX = \$281.25



(\$70,000 X \$0.00281)  
PROPERTY TAX = \$196.87

**YEAR 2 - PROPERTY TAXES REQUIRED: \$900**

YEAR 1 TOTAL VALUE = \$300,000  
YEAR 2 TOTAL VALUE = \$320,000 **+ 6.67%**

DIFFERENCE = \$20,000



# Programs that May Reduce Your Property Taxes

## Homestead Deadlines and Exclusion Programs



**Homestead Applications are due by December 15, 2022**

You can now safely and securely apply for homestead online.

[olmstedcounty.gov/post/homestead-applications](http://olmstedcounty.gov/post/homestead-applications)

### **Special Homestead Classification for Blind or Permanently and Totally Disabled Persons**

A special homestead classification that provides a reduced class rate for homestead property of any person who qualifies as blind or as permanently and totally disabled.

### **Market Value Exclusion on Homestead Property of Disabled Veterans**

This program provides a market value exclusion for property tax purposes for the homestead property of an honorably discharged veteran who has a service-connected disability rating of 70% or higher, as determined by the US Department of Veterans Affairs.



# Programs that May Reduce Your Property Taxes

## Refunds through the State of Minnesota

Even if you did not qualify for property tax refunds in previous years, you may in 2022.

If you own and occupy your property on Jan. 2, 2022, as your homestead, you may qualify for one or both of the following refunds from the State of Minnesota:

1. If your taxes exceed certain income-based thresholds and your total household income for 2021 was less than \$119,790.
2. If your property taxes increased more than 12% and by at least \$100 over 2021.

If you qualify, you will need to file form M1PR to receive a 2022 property tax refund.

## Learn More

### Online:

[revenue.state.mn.us/property-tax-refund](https://revenue.state.mn.us/property-tax-refund)

**Call:** 651-296-3781

### Mail:

Minnesota Department of Revenue  
Mail Station 0020  
600 North Robert St.  
St. Paul, MN 55145-0020



# Programs that May Reduce Your Property Taxes

## Senior Citizen Property Tax Deferral

This program is meant to help seniors who are having difficulty paying their homestead property taxes.

### Eligibility

*(all of the following conditions must be met):*

1. 65 or older.
2. Household income of \$60,000 or less.
3. Lived in home for at least 15 years.

If you enroll, the amount of property tax you pay is limited to 3% of your total household income for as long as you participate in the program. Any tax above that amount is temporarily paid by the state on your behalf. This deferred tax must be repaid (with interest) to the state when you sell your home.

## Learn More

### Online:

[revenue.state.mn.us/property-tax-deferral-senior-citizens](https://revenue.state.mn.us/property-tax-deferral-senior-citizens)

**Call: 651-556-6091**



# Programs that May Reduce Your Property Taxes

## Additional State Refund Programs

- Homestead Credit Refund Program
  - <https://www.house.leg.state.mn.us/hrd/pubs/ss/sshptrp.pdf>
- Renter's Property Tax Refund Program
  - <https://www.house.leg.state.mn.us/hrd/pubs/ss/ssrptrp.pdf>
- Targeting Property Tax Refund Program
  - <https://www.house.leg.state.mn.us/hrd/pubs/ss/sstrgt.pdf>





# 2022-2023 Operating Budget

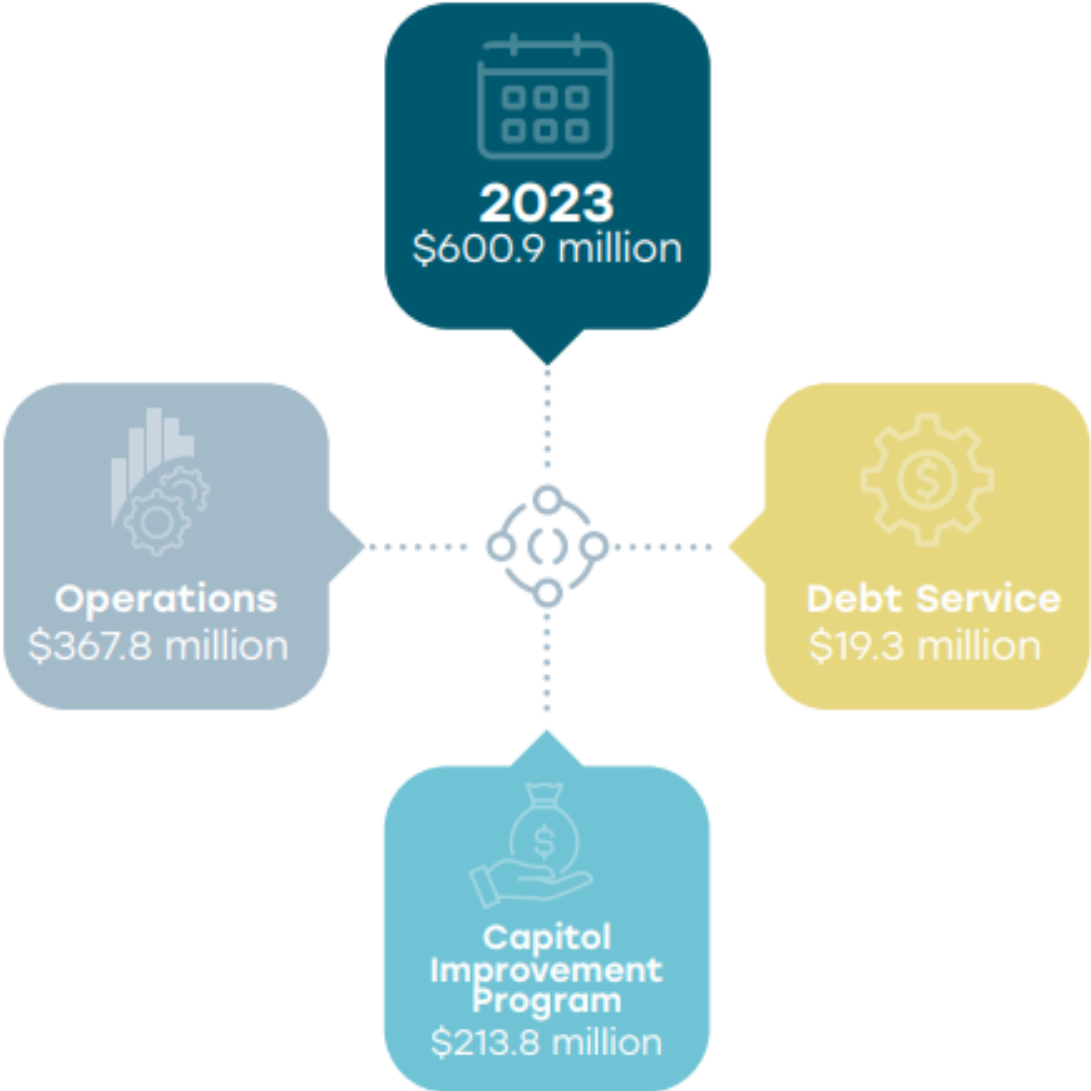


# \$600.9 MILLION BUDGET

City of Rochester Budget 2023, inclusive of RPU

## All Funds Combined

- **6.85%** tax levy increase
- **2.5%** general rate increase for electric and **5%** general rate increase for water
- **No** parking ramp or transit rate increases
- In year two, supplemental budget year, of our first two-year budget process





# 2023 MAJOR REVENUES

## 2023 MAJOR REVENUES VERSUS 2021 & 2022 INCLUSIVE OF RPU

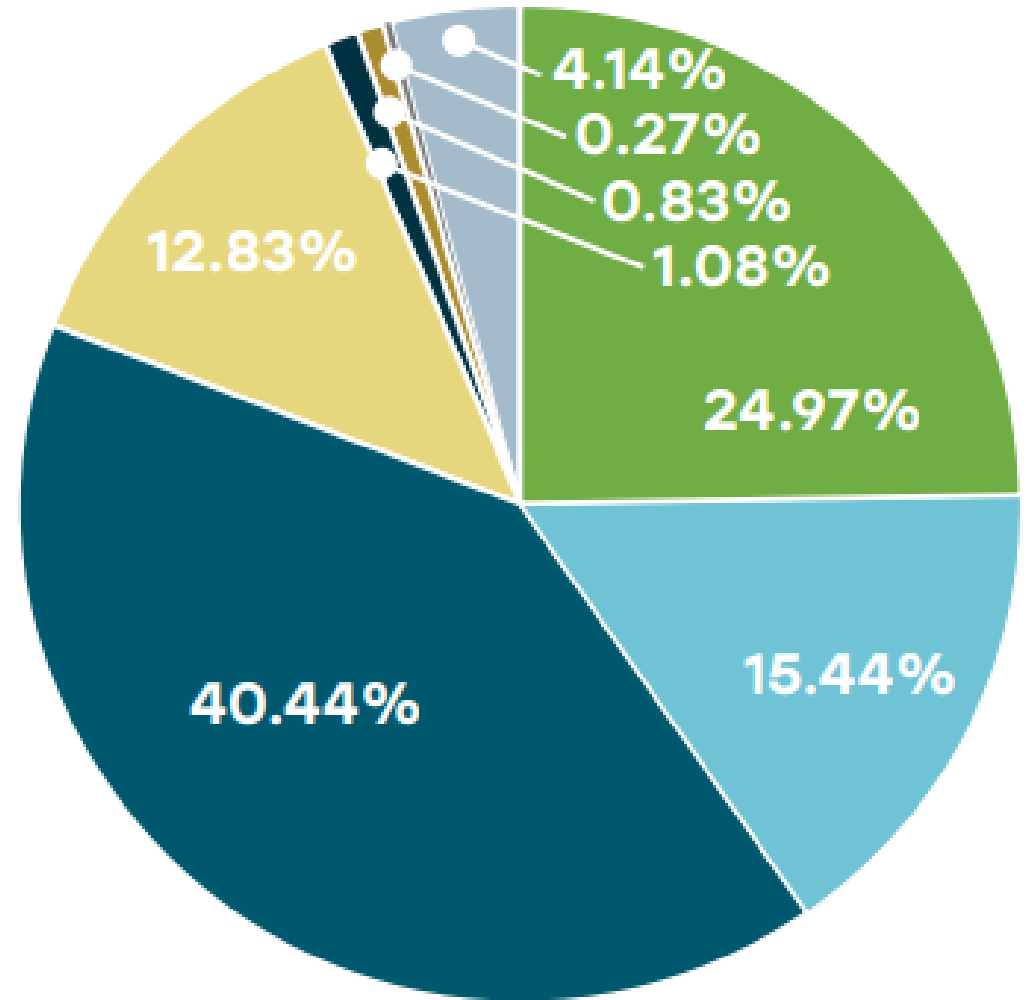
	2021 Adopted Budget	2022 Adopted Budget	2023 Adopted Budget	2022-2023 Increase/(Decrease)	2022-2023 Percent of Change
Tax Levy & Tax Abatements	81,524,771	86,823,881	92,772,574	5,948,693	6.85%
Local Government Aid	6,372,634	6,372,634	3,958,994	(2,413,640)	-37.88%
Hotel/Motel Tax	4,580,000	4,946,480	5,353,601	407,121	8.23%
Cable TV Franchise Fee	1,350,000	1,300,000	1,165,296	(134,704)	-10.36%
Inspection Permits	3,477,633	3,410,426	3,563,892	153,466	4.50%
In Lieu of Tax	12,884,858	12,726,858	13,567,858	841,000	6.61%
Sewer Utility Charge	28,100,000	28,100,000	28,381,000	281,000	1.00%
Storm Water Utility Fee	8,572,000	8,734,260	8,821,603	87,343	1.00%
Library Fund					
City Share-Levy	7,127,713	7,390,959	7,816,734	425,775	5.76%
County Share	1,092,097	1,131,821	1,151,638	19,817	1.75%
Municipal Recreation Fund					
Fee Revenues	4,317,072	4,138,604	4,184,120	45,516	1.10%
Non-Fee Revenues	8,285,916	9,302,012	9,881,044	579,032	6.22%
Parking Fund					
Parking Fines	370,000	466,676	471,343	4,667	1.00%
Parking Ramps	4,618,275	4,618,275	4,664,458	46,183	1.00%
Street Meters	1,175,000	1,325,000	1,338,250	13,250	1.00%
Parking Lots	401,800	413,565	417,701	4,136	1.00%
RPU					
Charges for Services	175,321,000	187,127,000	187,924,000	797,000	0.43%
Private Funds	10,023,000	15,304,000	18,300,000	2,996,000	19.58%



# WHERE DOES THE MONEY COME FROM?

## 2023 Total Operating Revenue, inclusive of RPU

- Miscellaneous Revenue
- Charges for Service
- Other Taxes
- Special Assessments
- Taxes and Valorem
- Intergovernmental Revenue
- Licenses and Permits
- Prior Year Revenues/Fund Balance





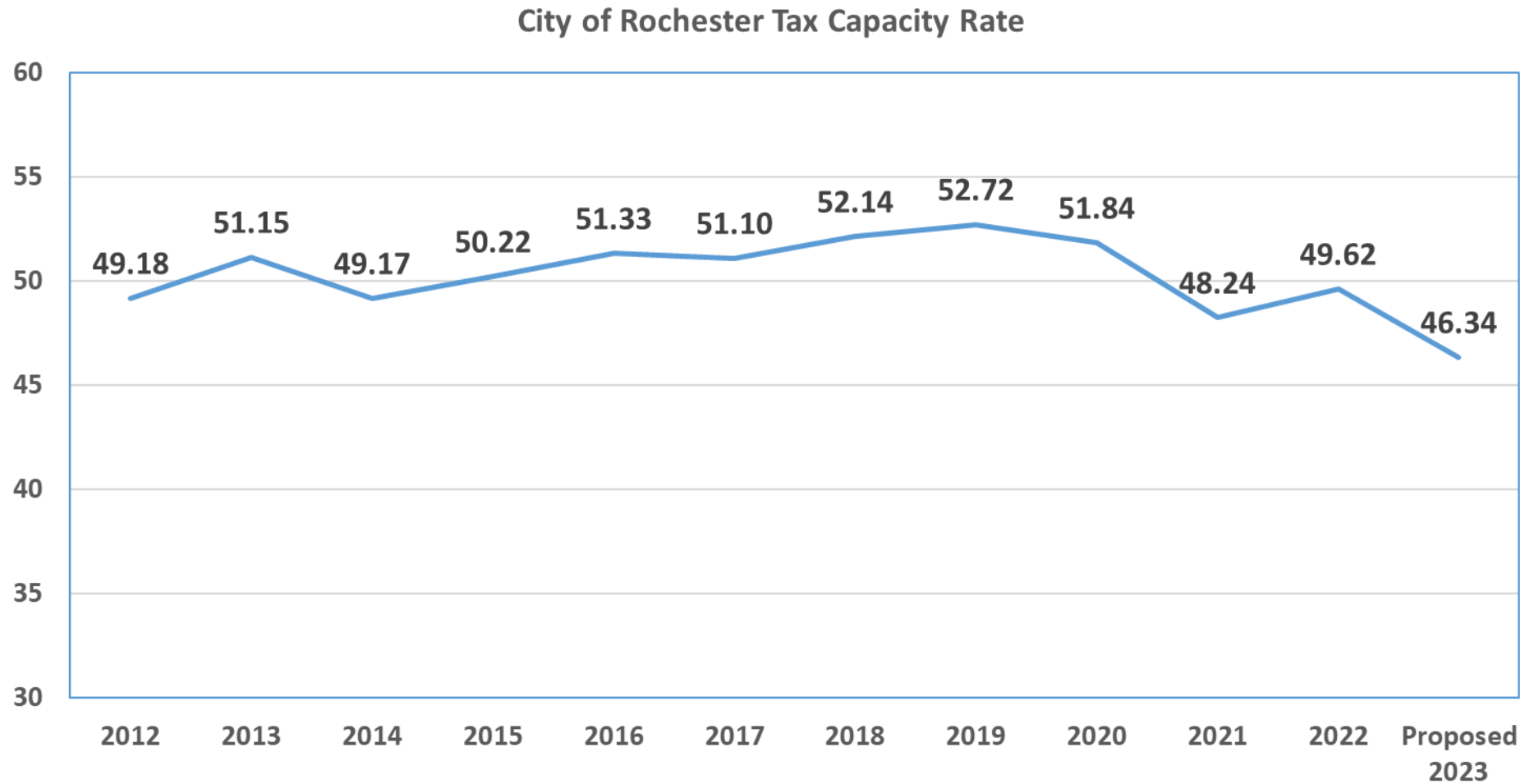
# Tax Levy & Tax Capacity

# 2023 Tax Levy & Budget

- **Tax Levy \$92,772,574 (6.85% increase)**
- **Total Budget \$600.9 million**



# City of Rochester Property Tax Rates since 2012



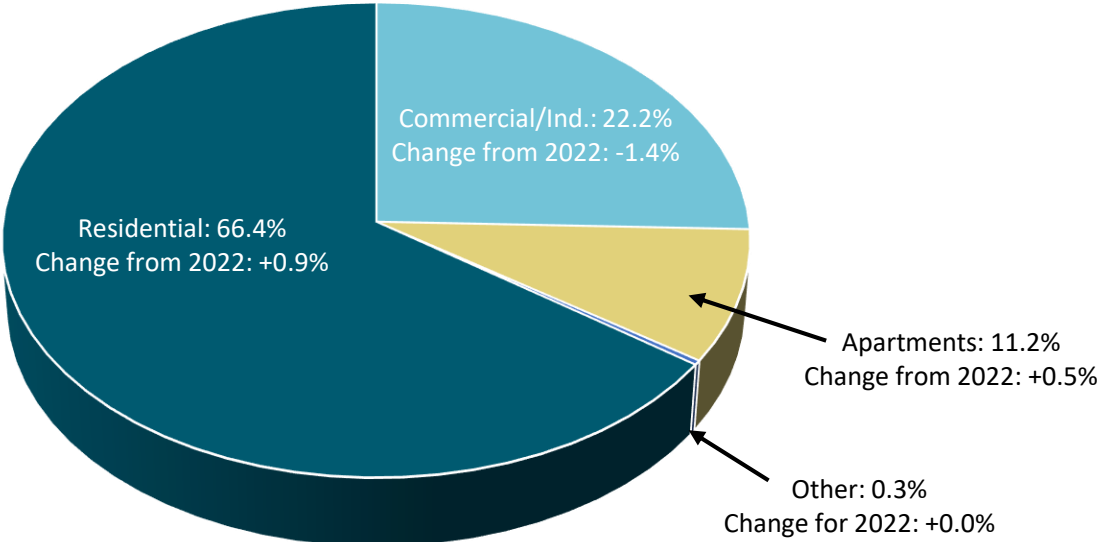
# Tax Impact – Median Value Home

			No Valuation Change			Valuation Increase		
Pay 2022			Pay 2023			Pay 2023		
		Median Value Home	No Value Change	Amount Change	Percent Change	Median Value Home	Amount Change	Percent Change
<b>Valuation:</b>								
	Median Home Value	235,900	235,900	0	0.0%	273,000	37,100	15.7%
<b>Property Taxes:</b>								
	City	1,118	1042	(76)	-6.8%	1239	121	10.8%
	County	1,023	934	(89)	-8.7%	1111	88	8.6%
	School	863	789	(74)	-8.6%	928	65	7.5%
	HRA	37	37	-	0.0%	44	7	18.9%
<b>Total Combined Tax</b>		<b>3,041</b>	<b>2,802</b>	<b>(239)</b>	<b>-7.9%</b>	<b>3,322</b>	<b>281</b>	<b>9.2%</b>

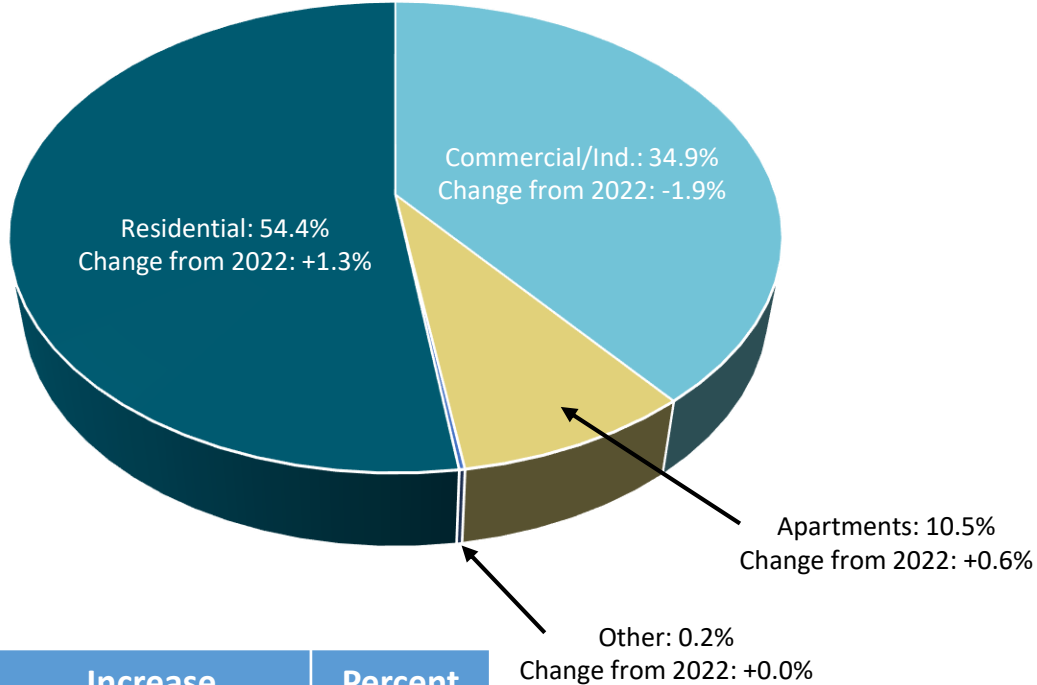


# Pay 2023 Tax Base by Property Class – City of Rochester

Percentage of Market Value



Percentage of Tax Capacity (Share of Tax Levy)

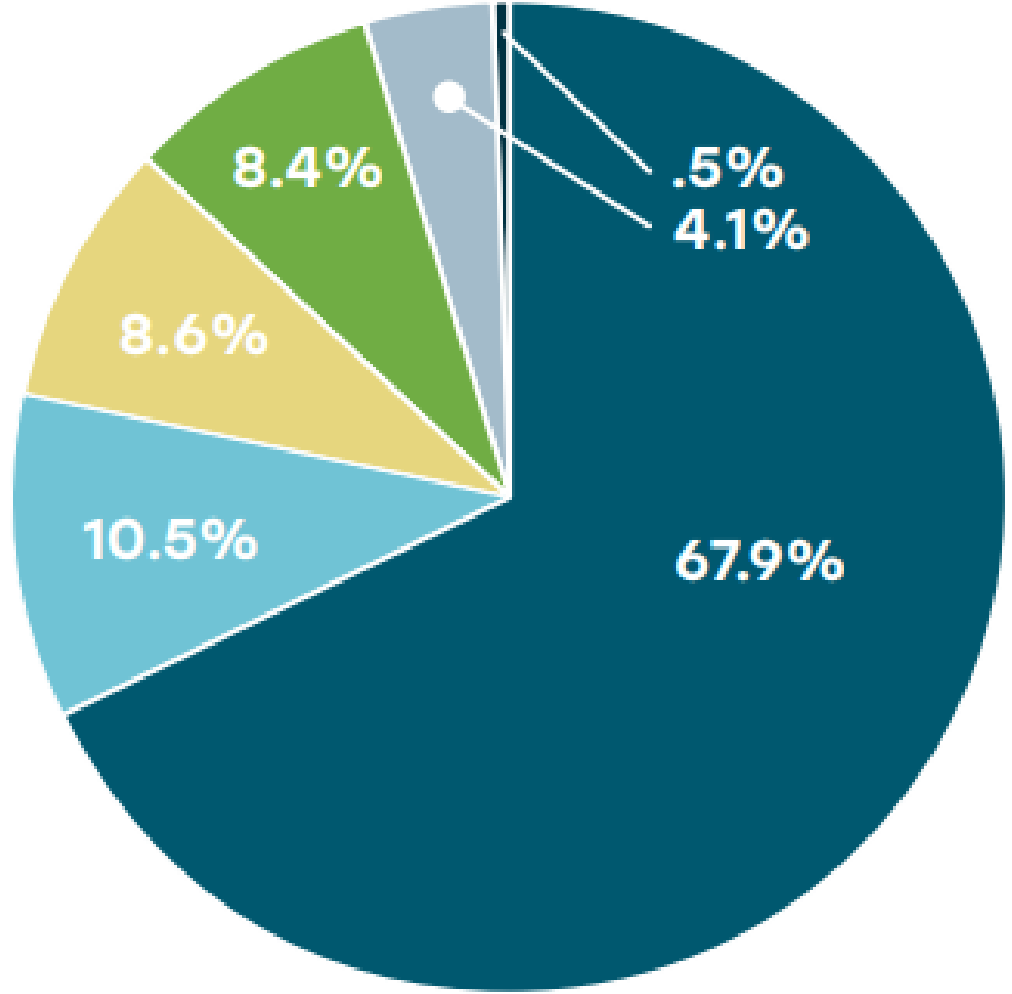


	Pay 2022	Pay 2023	Increase	Percent
Taxable Market Value	\$14.63 Billion	\$16.59 Billion	\$1.96 Billion	13.4%
Taxable Tax Capacity	\$178.8 Million	\$205.7 Million	\$26.9 Million	15.0%



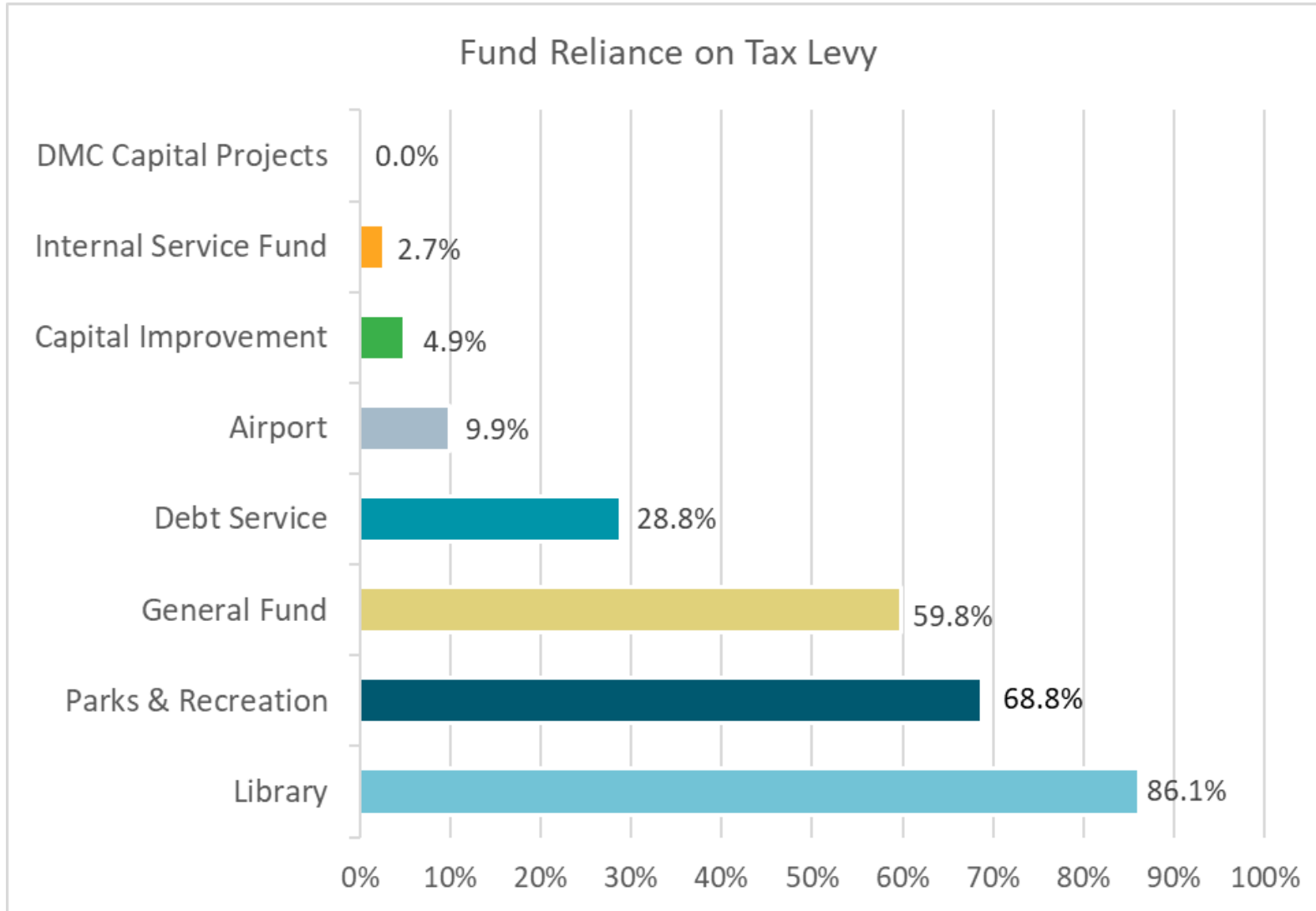
# 2023 PROPERTY TAX DISTRIBUTION

- General
- Parks and Recreation
- CIP
- Rochester Public Library
- Debt. Internal Services
- Airport





# FUND RELIANCE ON TAX LEVY





# WHERE DOES THE MONEY GO?

2023 General Fund expenses are \$4.1 million more than 2022



# Comparison Community Benchmarking

City	2021 Levy Increase	2022 Levy Increase	2023 Preliminary Levy Increase
Bloomington	2.8%	2.8%	11.58%
Rochester	0.0%	6.5%	6.85%
St. Paul	0.0%	6.9%	15.30%
Duluth	3.0%	6.0%	8.90%
Woodbury	4.9%	5.5%	6.80%
St. Cloud	5.2%	5.5%	16.34%
Minneapolis	5.8%	5.5%	6.50%



# Comparison Community Benchmarking

City	Population*	2021 LGA	2021 LGA per Capita	2022 LGA	2022 LGA per Capita	2023 LGA	2023 LGA per Capita
Rochester	121,465	\$6,372,634	\$52.46	\$6,372,634	\$52.46	\$3,958,994	\$32.59
Minneapolis	425,336	\$78,313,191	\$184.12	\$78,313,191	\$184.12	\$74,542,064	\$175.25
St. Cloud	68,818	\$13,760,696	\$199.96	\$13,970,523	\$203.01	\$14,198,354	\$206.32
St. Paul	307,193	\$70,931,877	\$230.90	\$71,888,109	\$234.02	\$72,817,360	\$237.04
Duluth	86,372	\$30,543,564	\$353.63	\$30,671,679	\$355.11	\$30,807,820	\$356.69
Woodbury	N/A	-	N/A	-	N/A	-	N/A
Bloomington	N/A	-	N/A	-	N/A	-	N/A

\*Population is from the US Census website, [www.census.gov/quickfacts](http://www.census.gov/quickfacts), using the line "Population Estimates, July 1, 2021, (V2021)" for each city. This population was used to calculate all "per Capita" columns.



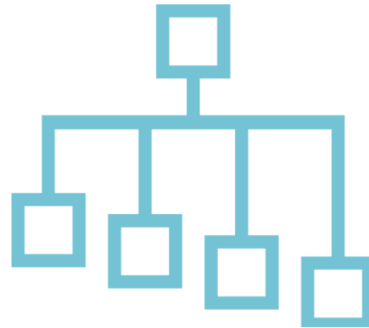


# 2023-2027 Capital Improvement Plan

# 2023 CIP Projects as Revised



**187 Projects**



**23 Categories**



**\$213.8 Million  
Total Investment\***

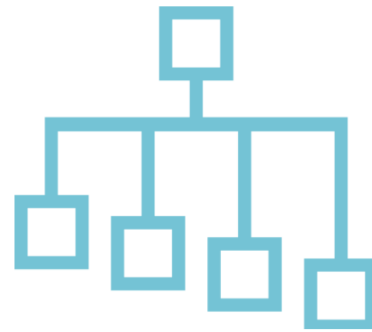
\*CIP Total Investment is now inclusive of RPU total project costs including other funding sources such as private investment, bonds, grants, internal labor, etc.)



# 2023-2027 CIP Projects & 2023-2027 RPU CIP Projects as Revised



**265 Projects**



**23 Categories**



**\$717.5 Million  
Total Investment\***

\*CIP Total Investment is now inclusive of RPU total project costs including other funding sources such as private investment, bonds, grants, internal labor, etc.)



# Public Hearing and Adoption

1. Conduct Public Hearing.
2. Adopt the 2023 Supplemental Operating Budget.
3. Adopt the 2023-2027 Supplemental Capital Improvement Plan Budget.
4. Adopt the 2023 general tax levy.
5. Concur with the RPU Resolutions for the 2023 Electric Utility and Water Utility capital and operating budgets.
6. Concur with the RPU Resolutions for the 2023 Electric Utility and Water Utility rate adjustments.